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BOOK REVIEWS

The India Way: How India's Top Business Leaders are Revolutionizing Management; by Peter Cappelli, Harbir Singh, Jitendra Singh, and Michael Useem; Harvard Business School Publishing, 2010; pp: 332

There are several books by now on how the Indian scriptures, including the Vedas, the Gita, the Ramayana and the Mahabharata, contain gems of management thought, including the call for dispassionate duty, or 'nishkaamya karma'. A new book by four Wharton School professors, two of whom are of Indian origin, tells the world how the Indian way of management has stolen a march over the U.S. way, which gives primacy to shareholder value maximisation. The authors assert that the Indian way consists of four components: 1. Balancing the stakeholders instead of shareholder value maximisation and correspondingly imbuing organisations with a broader social purpose than just aiming at maximising profits. 2. Investing in human capital and developing internal capability. 3. Indulging in adaptive innovation, nicknamed 'jugaad', and 4. Combining the first three to deliver an internally driven strategy, instead of looking out for complementary strengths through mergers and alliances.

The authors have been generous to a fault in their praise. The authors say that for Indian companies, corporate social responsibility (CSR) is part of the mission and not an adjunct activity aimed to serve the main objective of profit maximisation. Bharti Airtel's aim of 'putting cell phones into the hands of hundreds of millions of people in India' is given as an example. Tata's small car Nano with a price point of $ 2, 500 is another example of an activity not just aimed at selling cars, but with the larger social purpose of reducing the cost of transportation. A third example cited is Hindustan Unilever's project Shakti that uses microfinance principles to create a sales force in the poorest regions of the country. Other examples are Dr Reddy's Labs' desire to produce affordable medicine and some IT firms' initiatives in the field of education. However, each of these cases can be explained with a different, less lofty reason. Some of the CSR ventures of firms into education could have come as a result of government failure to deliver and its lack of accountability on the one hand, and the long term self interest of the IT companies to have a better educated pool, on the other. Bharti Airtel's mission objective could well have come from the nature of its business, in an oligopolistic market, where the advantages of network externalities and zero marginal costs prevail, and where companies are engaged in a price war, it is imperative to cut prices to capture market share. In such 'winner-takes-the most' situations, market share is everything and the huge potential at the bottom of the pyramid, mandates that players have to play the volume game with low margins. Apart from the Indian Bharti Airtel, the UK's Vodafone and Norway's Uninor operating in India also follow the same path. Microfinance is no longer the socially oriented activity of providing access to credit for the poor; while the usurious money lender has been driven out, the private equity firm which came in has seen the huge profit potential in this area. ITC's example is quoted in the book, with ITC saying that it sees no conflict between shareholders' value creation and societal value creation. ITC's e-Choupal, considered a CSR initiative which does away with the traditional unscrupulous middlemen and helps the farmer with price information using information technology and the Internet, nevertheless coaxes the farmer to sell the produce to ITC. It can also be seen as an efficient way of setting up a cost effective supply chain for ITC. While it is innovative, it cannot be upheld unequivocally as CSR.

The Tatas are seen as a company that puts the social mission first, and the authors cite Tata Steel's Chairman Muthuraman saying that the company's governance is value based, not rule based, and Tata Sons' Chief Gopalakrishnan's reference to the general perception that the Tata group was loved not just by its employees, but by the people of India. There are admittedly few parallels to the social initiative of the Tata group, especially the Founder Jamshedji Nauroji Tata and his successor, JRD Tata, but contrary to the spirit of these assertions, in 2001-02 the Tatas had to contend with a financial scandal with respect to one of their companies, Tata Finance Ltd., where its auditors AF Fergusson withdrew the investigation report and the company disassociated itself from the partner who made the report (Frontline, 2002).

Lamenting the paucity of philanthropists like Bill Gates or Warren Buffet in the US, the authors suggest that in India the various corporate foundations like that of the Tatas, Infosys, Wipro etc. do laudable work for the downtrodden. However, a distinction must be made in this context between foundations based on the personal funds of philanthropists like Gates and Buffet, and corporate foundations founded on shareholders' money where the shareholders have no voice in the CSR act.

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The authors try to make the point that having the right values and a pro-active approach to CSR are good for the firms' commercial objectives, as customers do care about the values of the companies with which they do business and citing study results which show that companies with a pro-active approach to CSR are able to retain their employees better. Both these claims are open to question. Companies may be pro-active on the CSR front and have a low employee turnover, but that need not point to retaining talent. As an example, Tata Consulting Services, the biggest employer in the IT sector, is not the most preferred employer in India; MNCs which have set up shop in India have been able to attract talent with higher pay and with more challenging jobs.

In the area of investment in human capital, the comparison is partial; the entire industry in the US has been compared to the IT industry in India. The authors highlight the fact that Indian IT companies specifically mention the contribution of their employees in their annual report; in contrast, only CTS in the US apparently has done this. Given that in the IT industry, value is almost entirely created by the employees, it is not surprising that those who are responsible for surplus generation are singled out for special mention.

The third area of study, viz. jugaad, or scarcity driven innovation that is made in India, is well known. Bangalore's Narayana Hrudayalaya (heart hospital) is taken as a case in point to highlight how at about one hundredth the cost of what it would be in the US, the hospital provides comparable health care. Since jugaad is scarcity driven, this is not relevant to the US context which has no similar scarcity. Thus one wonders what the lesson for the US is in this case.

The book while expatiating on the failings of the American Anglo Saxon capitalism based on self interest, fails to make a convincing case for its straw man alternative model, based on social values, investment in employees, balancing stakeholders and internally generated strategies. By putting 'Indian management' on a high pedestal, without substantiating it adequately, the authors have ended up weaving a common story from disparate 'success stories', which have very little to do with laudable objectives. The book suffers from the same shortcomings which characterised popular books like 'In Search of Excellence', whose findings were short lived because they were superficial.

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Management for Social Enterprise; by Bob Doherty, George Foster, Chris Mason, John Meehan, Karon Meehan, Neil Rotheroe and Maureen Royce; 2011; Sage, New Delhi; pp. 246 price: Rs. 375.

Social enterprise (SE) is a powerful idea, having its historical roots in the cooperative, community and voluntary sectors. SEs can trace their origin back to medieval guilds, but it is the Rochdale Pioneers, founded in 1844, who are normally seen as symbolising the start of the growth in numbers of the SEs (Pearce, 2003). This book examines several aspects of the SE, its history, development, management, ethics and governance. It describes the types of SEs and their potential as well as their strategic, personnel, financial and marketing management.

Chapter 1 of the book provides an introduction to the diverse landscape of SEs across different countries of the globe, highlighting the clear international differences concerning the role of SEs. The scale of the social enterprise sector and the contributions SEs make to economies and societies worldwide is illustrated in this chapter. Though SEs have grown significantly in scale and are important for a country's economy, they still face challenges and frameworks need to be developed to help SEs cope with these challenges, argue the authors of the book.

Chapter 2 attempts to put the SEs in context by defining these organisations that have primarily a social mission achieved by reinvesting profits derived from trading. The main focus of SEs is *social aim*. Also, SEs come in all shapes and sizes, ranging from small, locally based businesses operating in niche markets and meeting local needs to those which operate nationally and internationally. Due to variation in size and nature of operations, the management challenges faced by SEs are enormous and range from quality of products and services to establishing adequate governance structures.

Strategic management is one of the lead disciplines that can help SEs transform and provide direction and coherence to their projects to meet an increasing range of social needs and alleviate the results of other market failures. Chapter 3 offers a review of strategic management in SEs. Keeping in view the unique identity of SEs, a processual model of strategy development is outlined with an emphasis on the social embeddedness of the process and the importance of consensus based outcomes so as to maintain legitimacy and hence the commitment of the stakeholders. This democratic and discursive strategic management approach starts from determining mission, evaluating the organisation's strategic position and debating and selecting strategies to follow up to designing an implementation process.

Managing people is a complex business in any organisation. The challenge of being enterprising while focused on social objectives creates an even more complex environment for those managing people in the SE sector. Chapter 4 attempts to highlight the challenges of HRM in SEs and the role HRM can play in meeting the challenges faced by SEs. Traditional HRM processes may seem to offer little to an organisation like an SE which is predominantly staffed by volunteers. However, SEs can still deploy HRM processes like establishing clear staffing levels and patterns of work; fair recruitment and selection processes; an energising work culture and progressive people development policies.